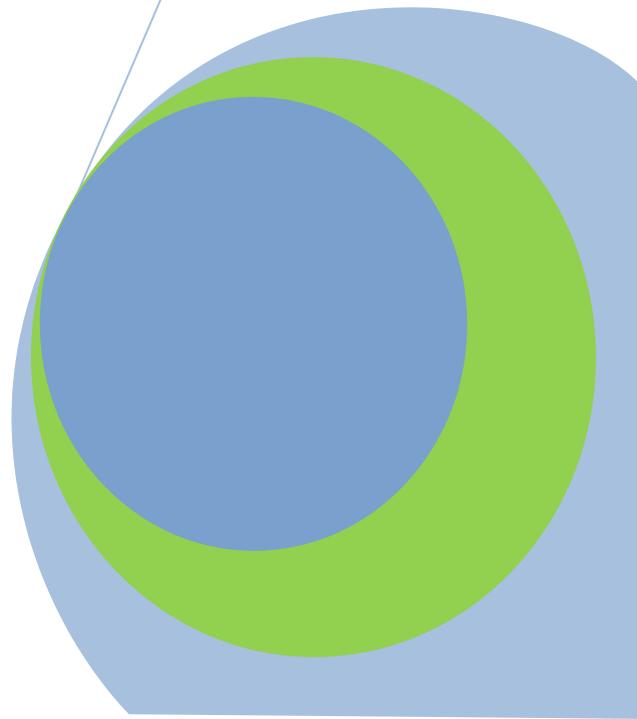


2.5 Change in Status

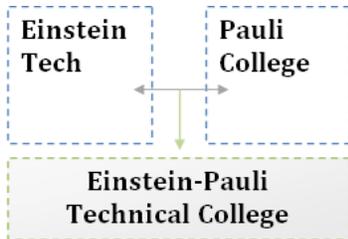
The Effect of Merges and a Change in Status



What is a change in status?

There are three types of change in status for cohort default rate purposes:

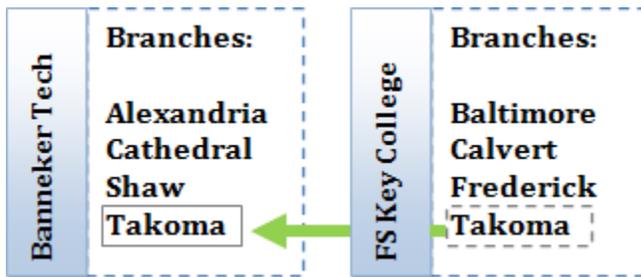
Acquisition or Merger of Schools



The first type of change in status occurs when one of two things happens: either one existing school acquires another existing school (acquisition of schools) or two existing schools combine to form one new school (merger of schools). The former parent school no longer exists

Example (left): Einstein Tech merges with Pauli College to become Einstein-Pauli Technical College.

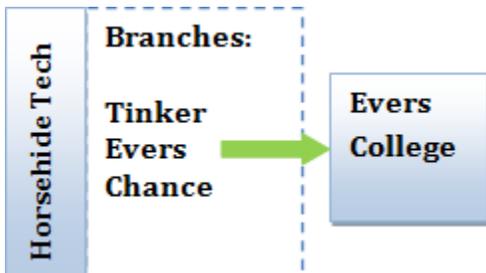
Acquisition of Branches or Locations



The second type of change in status occurs when an existing school acquires a branch or location of another school. This type of change in status results in one expanded school and one former parent school.

Example: Banneker Tech acquires the Takoma branch of FS Key College.

Branches or Locations Becoming Schools



The third type of change in status occurs when a branch or location of an existing school becomes an independent main school. This type of change in status results in one new or existing school and one former parent school.

A campus or other entity is considered a school for cohort default purposes if it has its own OPE ID.

Example: The Evers branch of Horsehide Tech becomes an independent new school called Evers College.

Regulatory citation:
34 CFR 668.203
34 CFR 668.207

How does a school's change in status affect the school's cohort default rate?

A school involved in a merger, acquisition, or other change in status should be aware that the change may affect the application and calculation of its cohort default rates and that loss of eligibility may be applicable to the school after the change in status. After a change in status, cohort default rates are applied to a school according to the type of change in status.

Additionally, schools should be aware that borrowers are counted once **except** when there is a merger of schools and the student has had loans certified in more than one of the merged schools.

How does a school notify the Department of a possible future change in status?

Because different cohort default rates may be applied to a school as a result of a change in status, the school's eligibility may be jeopardized as a result of a change in status. All schools contemplating a change in status should submit a letter to the School Participation Team (SPT) at the U.S. Department of Education (the Department) before making the change. The letter should:

- ◆ explain the proposed change in status,
- ◆ include the details of the change in status (for example, if the change is part of a teach-out), and
- ◆ request guidance regarding the consequences, if any, the change in status will have on the school's cohort default rate and the school's Title IV program eligibility.

The Operations Performance Division (OPD) will send a written response to the SPT indicating how the historical, current, and future cohort default rates will be calculated based on the proposed change in status. SPT will then communicate the status to the school. Schools can use this response to evaluate whether the change in status will be beneficial or detrimental to the schools involved in the change.

If a school decides to change its status, the school must submit an application to SPT, as applicable, report the change or request approval for the change for Title IV program purposes. For more information on submitting a change request, visit the [Electronic Application for Approval to participate in the Federal Student Financial Aid Programs \(E-App\) Website](#).

See Chapter 2.2, "How Schools Get the Rates & Loan Data," to find out how to request a LRDR.
See Chapter 2.3, "Reviewing the Loan Record Detail Report," for information on how to read a LRDR.

After a change in status occurs, at the next cohort default rate calculation, the school will receive a Loan Record Detail Report (LRDR) that includes all data for schools involved in the transaction. See Chapter 2.2, “How Schools Get The Rates and Loan Data,” for information on requesting LRDR and Chapter 2.3, “Reviewing the Loan Record Detail Report,” for information on reading LRDR. Further, after a change in status, a school may submit a challenge, adjustment, or appeal based on the data for another school’s borrowers, under the same requirements that would be applicable to the other school, if the loans for those borrowers affect the school’s cohort default rate.

Under certain circumstances, the Department’s regulations require a school involved in a change in status to assume the loss of eligibility of another school involved in the change in status, to avoid evasion of cohort default rate sanctions.

How does a change in status affect a school that was subject to loss of eligibility at the time of the change?

If a school that is already subject to loss of eligibility combines with another school, the new school has the same challenge, adjustment, and appeal options as the school that was subject to sanction before the change in status. That is, if the school that was subject to loss of eligibility before the change in status had exhausted all means of challenge, adjustment, and/or appeal, the new school has no challenge, adjustment, and/or appeal rights. If the school that was subject to loss of eligibility before the change in status did not exhaust all means of challenge, adjustment, and/or appeal, the new school may request a challenge, adjustment, and/or appeal, but only under the same timeframes and other requirements that were applicable to the sanctioned school.

? Effects of change in status on cohort default rates

Type of Change in Status	Historical Cohort Default Rates for the New School	Subsequent Three Year Cohort Default Rates for the New School	Fourth Year and Subsequent Year Cohort Default Rates for the New School	Cohort Default Rates for the Former School or Schools
<p>Acquisition or Merger of Schools 668.203(a)(4), (b); COA Code B</p>	<p>The new or surviving school's historical cohort default rates will be the cohort default rates of the school involved in the change of status that has the highest total number of borrowers entering repayment in the two most recent cohort fiscal years for which cohort default rates have been published.</p>	<p>The new school's cohort default rates following the merger or acquisition are determined by including all the applicable borrowers from each school involved in the acquisition or merger in the cohort default rate calculation.</p>	<p>The new school's cohort default rates are determined by including all the applicable borrowers from each school involved in the acquisition or merger in the cohort default rate calculation.</p>	<p>The former school (or schools, in the case of a merger) no longer exists.</p>
<p>Acquisition of Branches or Locations 668.203(a)(4), (c) COA Code C</p>	<p>The expanded school's historical cohort default rates will be the cohort default rates of the acquiring school.</p>	<p>The expanded school's first three cohort default rates published after the date of the change in status will be calculated using all the applicable borrowers from both the acquiring school and the school from which the branch or location was acquired, including all of its locations.</p>	<p>The expanded school's fourth cohort default rate published after the date of the change in status and the cohort default rates in subsequent cohort fiscal years will be calculated using only the applicable borrowers from the acquiring school.</p>	<p>The former parent school's cohort default rates are not affected by the change in status.</p>
<p>Branches or Locations Becoming Schools 668.203(a)(4), (d) COA Code D</p>	<p>The new school's historical cohort default rates will be the cohort default rates of the former parent school.</p>	<p>The new school's first three cohort default rates published after the date of the change in status will be calculated using all the applicable borrowers from both the new school and the former parent school, including all of its locations.</p>	<p>The new school's fourth cohort default rate published after the date of the change in status and for cohort default rates in subsequent cohort fiscal years will be calculated using only the applicable borrowers from the new school.</p>	<p>The former parent school's cohort default rates are not affected by the change in status.</p>